

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

MONTHLY MEETING

TRANSCRIPT OF PROCEEDINGS

Sacramento City Hall

915 I Street, City Council Chambers

Sacramento, California 95814

Thursday, December 6, 2012

10:28 a.m.

BRITTANY FLORES

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A P P E A R A N C E S

BOARD MEMBERS

Mr. Dan Richard, Chairman

Mr. Tom Richards, Vice-Chair

Mr. Jim Hartnett

Mr. Michael Rossi

Mr. Thomas Umberg

STAFF

Ms. Angela Reed, Interim Board Secretary

ALSO PRESENT

Mr. Jeff Morales, CEO

Mr. Thomas Fellenz, Esq., Legal Counsel

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Item 2, Update on Revised Memorandum of

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Item 3, Proposal to Adopt a Policy to Promote
Enhanced Community Benefits During Construction
of the High-Speed Rail System

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Item 4, Closed Session Pertaining to Litigation

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Meeting adjourned

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1 SACRAMENTO, CALIFORNIA, December 6, 2012

2 10:28 a.m.

3 --o0o--

4
5 CHAIRMAN RICHARD: Good morning, everybody.
6 This meeting of the California High-Speed Rail Authority
7 will come to order. Let me start by apologizing for our
8 late start this morning. We are waiting for our
9 appointed authorities to fill out the board. We have
10 three vacancies, and so sometimes, it makes obtaining a
11 quorum a little bit challenging. But anyway, we're all
12 here; you're all here. So this meeting will come to
13 order and will the secretary please call the roll.

14 MS. REED: Vice-Chair Schenk.

15 Vice-Chair Richards.

16 MR. RICHARDS: Here.

17 MS. REED: Mr. Umberg.

18 MR. UMBERG: Here.

19 MS. REED: Mr. Hartnett.

20 MR. HARTNETT: Here.

21 MS. REED: Mr. Rossi.

22 MR. ROSSI: Here.

23 MS. REED: Chairman Richard.

24 CHAIRMAN RICHARD: Here.

25 Mr. Umberg, will you lead us in the Pledge of

1 Allegiance, please.

2

3 (Pledge of Allegiance recited.)

4

5 CHAIRMAN RICHARD: Thank you. We'll move to
6 public comment. And let me just take a moment here to
7 go through the -- so we will take the speakers in the
8 order in which they were received, but as is our
9 practice, we will ask our elected officials to speak
10 first. And this morning, once again, we're graced by
11 the presence of Supervisor Henry Perea from Fresno.

12 Supervisor, good to see you again.

13 MR. PEREA: Good to see you.

14 Mr. Chairman, members of the board, thank you
15 for, for having me here today. I'm here in support of
16 Item 3, and once again, showing and underscoring
17 Fresno's support and commitment to high-speed rail for
18 California and the leadership of our education team
19 under Blake Council of our investment workers will make
20 a presentation to you, but we came here today thanking
21 you for considering adopting a hiring policy targeting
22 California communities and disadvantaged workers. We
23 believe that the time that it's taken us to develop this
24 policy, it will now ensure that returning veterans and
25 individuals from economically disadvantaged areas will

1 have an opportunity to be employed as this project rolls
2 out over the next few years. I think the muster and the
3 strength of this policy that it involves the constraints
4 of State and Federal laws to ensure that California
5 communities and neighborhoods benefit as fully as
6 possible during the construction of the high-speed rail
7 project in California.

8 So thank you for your time. Thank you for your
9 consideration of the policy, and we stand here in
10 support of it.

11 CHAIRMAN RICHARD: Thank you, Supervisor.

12 Okay, next is Diana LaCome.

13 MS. LACOME: Good morning, Chairman Richard,
14 members of the board. First, I would like to thank
15 Chairman Richard for attending our business conference
16 in San Francisco yesterday and for spending that extra
17 time with some of our small businesses. Thank you for
18 that. I'd also like to thank Tom Fellenz and Robert
19 Padilla and the Northern California -- I don't have his
20 name.

21 CHAIRMAN RICHARD: Mr. Tripousis.

22 MS. LACOME: Thank you all for attending.

23 Second, I'd like to tell you that we're
24 completely in favor of the community benefits policy,
25 and we hope that you can start implementing in some

1 areas of that, especially, the youth can be trained to
2 be able to get into some of those construction jobs when
3 construction starts next year. So this is excellent.
4 Thank you.

5 And lastly, I'm just giving you a copy of the
6 Federal Rail Administration's email to us. They
7 couldn't be there yesterday. We had some plaques for
8 them, but they did send us a message. And it's just a
9 very, very nice note that talks about the responsibility
10 that FRA has and about California High-Speed Rail and so
11 on.

12 So -- and that's it for me today. Thank you very
13 much.

14 CHAIRMAN RICHARD: Thank you, and thank you
15 for inviting me to your conference yesterday. It was a
16 very important meeting, and I appreciate it.

17 Next is Baldwin Moy followed by Marvin Dean.

18 MR. MOY: Mr. Chairman, members of the
19 board, Baldwin Moy, California Rural Legal Assistance.
20 We're also in support of Item 3. We're actually really
21 elated that it is up for consideration and certainly
22 hats off to the Fresno crew for its leadership and their
23 persistence in this matter. This kind of a policy is
24 one that's going to really rally the Central Valley with
25 all of the supporters, those who are standing on the

1 sidelines, and those who are even opponents as they
2 begin to see the fruit of this process take hold.

3 Having said that, we'd like to see really robust
4 participation in terms of their jobs also in terms of
5 the highly skilled, the lesser skilled, and also, those
6 who are part employed. We would ask that some of the
7 programs that would be considered include some set aside
8 for pre-apprenticeship programs. Certainly, I have
9 mentioned this in the past.

10 Secondly, this policy, without monitoring
11 compliance, would not work and that -- I think that both
12 the board, the Authority, and the community have a
13 vested interest in accountability that this policy is
14 carried out and that goals are attained.

15 Lastly, I know that there's been some discussion
16 at a statewide level that there be some kind of a
17 council that we would urge that the establishment of the
18 Central Valley project committee along the lines of
19 small business enterprises that there would be one
20 that's comprised of like official persons and community
21 advocates as well.

22 Once again, thank you for the opportunity to
23 comment on this and also welcome a chance to work with
24 staff and kind of develop the program. Thank you.

25 CHAIRMAN RICHARD: Thank you, Mr. Moy.

1 Next will be Marvin Dean followed by Robert
2 Allen.

3 MR. DEAN: I want to say, first of all,
4 again, I want to thank the board. This just shows
5 another step in the right direction that you're
6 concerned about everybody including in the process, so
7 support this position Item 3 this morning.

8 I want to also thank Chair -- Supervisor Perea
9 and his team out of Fresno for bringing this to the
10 Central Valley, because this is badly needed. This is
11 something that a lot of us -- I'm from Bakersfield.
12 We're going to be looking at participating in some of
13 the work that the supervisors going into Bakersfield.
14 I'm already starting to put together a cross-section of
15 the unions, the non-unions, the city, the county, the
16 Cal State Bakersfield, so that we can start coordinating
17 together this coalition to get ready so that when this
18 project comes into Bakersfield, that it be a consistent
19 project from the Central Valley to make our people
20 ready.

21 I say, I also think this goes in conjunction with
22 the ERI process, but many of the public commented about
23 environmental justice community as part of the
24 mitigation process that people will be given an
25 opportunity to be employed in these low-income

1 neighborhoods, and I think this steps right in to fill
2 the steps of that requirement. And I would also say
3 that part of it should be looking at a job readiness
4 program to get some of these hard -- hard to -- um,
5 people that don't have the skills to go into
6 apprenticeships right now but get them job ready to be
7 passed on to the apprenticeship program.

8 And then lastly, I would just say that this
9 process ought to be including union shops and merit
10 shops. I know that's an issue that's going to come
11 before us. I think everybody should be included. I'm
12 out of the trade unions. I know the benefits of the
13 union, but whether people belong to a union should not
14 be a requirement as to whether you can work on this
15 project. I think that should be open for everybody, but
16 I know that there are unions in the apprenticeship
17 programs, and so I'll be talking about that later with
18 Henry and his group.

19 CHAIRMAN RICHARD: Thank you, Mr. Dean.

20 Next is a friend of the mine, former BART
21 director, Robert Allen.

22 Mr. Allen, good morning.

23 MR. ALLEN: Thank you. The blended rail is
24 fraught with peril. There are too many pedestrians and
25 vehicles that have access to the Caltrain track way.

1 The -- it's much better to run high-speed rail in the
2 East Bay along the route that the Amtrak close
3 starlight, daylight crux. The Mulford line from Santa
4 Clara to Oakland with a good, stark interchange where
5 BART crosses over the UP. That would provide for good
6 rail transit between the entire Bay Area and Sacramento,
7 also between -- coming up the peninsula.

8 I strongly urge that you do away with the concept
9 of blended rail on Caltrain. Ultimately, Caltrain
10 should be converted to BART between Millbrae and Santa
11 Clara. That could very well be muni between San
12 Francisco and the airport. I would also urge you to --
13 high-speed rail to include a station at Santa Clara,
14 which is right beside the busy Mineta International
15 Airport serving San Jose. I would urge you to take
16 these things into consideration. Thank you.

17 CHAIRMAN RICHARD: Thank you, Mr. Allen.

18 Next is Dan Dolan followed by Eric Christen.

19 Good morning, Mr. Dolan.

20 MR. DOLAN: Thank you, Chairman Richard and
21 the board for letting us speak to you again. I wanted
22 to, first of all, say season greetings to all of you and
23 your families, and it's been a very good year for the
24 Authority. We got the State funding, approximately 2.9
25 billion, June 6th, 2012, and you also got your ERA

1 federal moneys, 3.3 billion. So it's been a good year
2 for the Authority, but I'm encouraging you and asking
3 that there be some compassion and caring about the small
4 business community.

5 As you reflect and the deciding committee on HSR
6 11-02 dealing with the right-of-way acquisition and
7 appraisals that besides Rosenthal, a woman-owned
8 business in Sacramento and Associate Right-of-Way
9 Services, a small business out of Fresno, will you
10 please consider those small businesses that have
11 submitted RFPs by November 15th and open the gate and be
12 inclusive of them rather than just fall back and pick
13 the people that you have used before? Otherwise, it
14 will appear to be a misdirection and eighteen months
15 encouraging the community to apply for a \$4 million RFP
16 that really isn't there. Thank you.

17 CHAIRMAN RICHARD: Thank you, Mr. Dolan.

18 Next is Eric Christen.

19 CHAIRMAN RICHARD: Good morning, sir.

20 MR. CHRISTEN: Good morning, merry
21 Christmas, happy New Year, and happy holidays. I
22 brought some guests. They are my children, who are
23 home-schooled and have decided to see democracy in
24 action. And so, my wife, being an Airforce pilot,
25 unfortunately, had to be gone today, and so Dad gets to

1 bring them down to see democracy in action.

2 Thank you for your time. My name is Eric
3 Christen. I'm the executive director of Coalition for
4 Fair Employment and Construction, and we're here today
5 to speak to you, and I'm being presumptuous with regards
6 to how I'm doing this. If you'll excuse me, I'll be
7 happy to be wrong on this issue. Unfortunately, what we
8 have seen in the community agreement -- future speaker
9 right there -- and unfortunately, as a past member, it's
10 a euphemism for what's known as the Project Labor
11 Agreement.

12 You are meeting in a room for a building that was
13 built -- a highly complex project, that was built
14 without a Project Labor Agreement. Or half of you flew
15 into Sacramento International Airport into a
16 million-dollar renovation that's happening there, highly
17 complex project, that's not -- wasn't built, isn't built
18 with the Project Labor Agreement. This is affecting a
19 region of the state, one of whose cities, Fresno, has
20 the first Project Labor Agreement banned back in 2000,
21 of which Mr. Perea was actually the deciding vote. And
22 ever since, about ten other public bans have been
23 placed, put into effect in California, including in June
24 when the tenth largest city in America, San Diego, voted
25 58 percent to ban the Project Labor Agreement.

1 Again, we do, at CFEC, as -- I will be happy to
2 be surprised if I am wrong. Unfortunately, if the
3 agreement contains the following, it will, in fact, be
4 our worst --

5 CHAIRMAN RICHARD: Don't worry about it.
6 They're fine.

7 MR. CHRISTEN: He's ready to speak right
8 after me. He's going to give you the lowdown on this --
9 the PLA -- for all intents and purposes if this is, in
10 fact, a PLA, it will contain the following, all workers
11 have to pay union dues, all workers have to pay union
12 health plan funds, all workers have to be sent to a
13 union hiring hall and if they aren't even allowed.

14 According to the National Labor Bureau, 84
15 percent of the construction workforce in California
16 wakes up on a daily basis and chooses to work in a
17 union-free environment. That's the reality of the state
18 workforce here.

19 If your goal is, as you say, to remove the
20 potential barriers for participation by small
21 businesses, then PLA -- if this is, in fact, really a
22 PLA meant to secure big labor business interest, it's
23 not going to help reduce this potential threat to
24 getting these people employed. Please make this about
25 all tax payers, about all workers, and not just about

1 big labor special interest. I understand they have a
2 stake in this, but they're not the only -- they're not
3 the only people that represent the only workers in this
4 state.

5 So those four provisions, if they are in the PLA,
6 they will be experimentory and impossible for you to
7 meet local hiring goals. Thank you very much.

8 CHAIRMAN RICHARD: Thank you, sir.

9 I'm having a little trouble reading the writing
10 on this next one. So I'm going to apologize. It's a
11 person from ABC of California. Nicole -- and I'm very
12 sorry, ma'am. I just -- if I try it, I'm going to
13 butcher it.

14 MS. GOEHRING: I apologize. I have horrible
15 handwriting. Nicole Goehring with Associated Builders
16 of California. We're an association of merit shop
17 contractors through commercial industrial and public
18 works construction. We also operate State approved
19 apprenticeship programs in several trades. So many
20 apprentices out of the Fresno area, Fresno county.

21 We spoke before you back in October with our
22 representative, Julie Broil, and at that time, she
23 brought before you fair and open competition principles,
24 which she requested to be included in the community
25 benefits agreement, and we are here today to continue to

1 ask you to work with us to include fair and open
2 competition in the principles and language in the
3 community benefits agreement that we will be passing
4 today. We also have an invitation into your office, as
5 well, to meet with Mr. Morales, and we are anxiously
6 awaiting to get that meeting set up in early January to
7 provide you with the language, and let me read that for
8 you again.

9 It was ordered that we would -- you would not
10 have any language that requires that a contractor,
11 sub-contractor, material supplier, carry mitigation with
12 construction or maintenance of the project at commuter
13 or otherwise become party to any Project Labor
14 Agreement, collective bargaining agreement, pre-hire
15 agreement or other agreement with employees or
16 representatives or any other labor organization as a
17 condition of bidding, negotiating, being awarded, or
18 performing work.

19 Over the past year, we've had many contractors go
20 to many group meetings where -- meet with the prime
21 contractors and they have always been in agreement,
22 would you be willing to sign a union agreement, and then
23 there's a questionnaire that's been sent out by the
24 prime contractors as well.

25 We believe that this project needs to be awarded

1 because of the fact that the taxpayers are paying for
2 it, it needs to go under fair and open competition. So
3 thank you for your consideration of my request.

4 CHAIRMAN RICHARD: Thank you, Ms. Goehring,
5 and I think it's probably my eyesight more than your
6 handwriting, so I apologize.

7 The final speaker card I have is from Richard
8 Markuson. I don't have any other speaker cards.

9 MR. MARKUSON: Good morning, Mr. Chairman.
10 My name is Richard Markuson. I represent three
11 specialty contractor groups who have similar concerns to
12 Nicole and Eric. I represent Western Electrical
13 Contractors Association, Plumbing, Heating, and Cooling.

14 While the specifics of the community benefits
15 agreement obviously can't be known, we would also
16 encourage the board to adopt a policy for fair and open
17 competition for the work that will be performed. We
18 know that many of the goals -- there are a lot of goals
19 in the policy that are covered by existing State and
20 Federal requirements for DBE participation, for
21 apprenticeship utilization, for payment of prevailing
22 wages. We have also seen in California that CBAs
23 frequently become a vehicle to achieve other goals
24 beyond those, very well, the ones that are outlined in
25 the policy.

1 We would encourage -- although the policy is not
2 clear what happens after Mr. Morales negotiates the CBA
3 with the interested parties. We would hope that that
4 complete policy comes back to this board for the
5 ratification as opposed to simply being implemented with
6 his signature. We think it's an important policy
7 decision, and we think it's very important to the
8 transparency of this project that it come back and is
9 considered by the entire board. Thank you very much

10 CHAIRMAN RICHARD: Thank you, Mr. Markuson.

11 Indeed, going once -- all right. With that, I
12 think we conclude -- yes, Frank, I'm looking at you. I
13 just want to make sure.

14 MR. OLIVEIRA: We're good.

15 CHAIRMAN RICHARD: That will close the
16 public comment period. Thank you very much.

17 Before we move on to the next agenda items, I do
18 want to recognize that we have a former member of this
19 body who is visiting us today, Robert Balgenorth, until
20 recently, a member of the High-Speed Rail Authority.

21 Bob, it's good to see you. And also, he's
22 sitting next to his successor, who is the head of the
23 statewide -- who is Robert Hunter.

24 So welcome to Northern California, Mr. Hunter.

25 Next item is an update on the revised Memorandum

1 of Understanding with Caltrain, which is part of our
2 revised business plan.

3 Mr. Tripousis, good morning.

4 MR. TRIPOUSIS : Thank you, Mr. Chair,
5 members. I'm very happy to be here. I'm very happy to
6 be a part of the high-speed rail team, and it dawned on
7 me this morning as I was coming to the meeting that I'm
8 especially happy that my presentation won't be subject
9 to the two-minute rule as all my previous presentations
10 before the Authority have been.

11 CHAIRMAN RICHARD: We can change that if
12 you'd like.

13 Mr. TRIPOUSIS : It would probably better.
14 Thank you. I don't want to initiate the rule on my
15 behalf. Thank you.

16 As you're aware, the peninsula corridor Joint
17 Powers Board and the Authority are in partnership to
18 share the peninsula rail corridor and to provide
19 commuter and high-speed rail services. The revised 2012
20 business plan has clearly established a change in the
21 direction for the high-speed rail project with the
22 development of the blended system. As a result, the
23 existing agreements with the JPB, the 2004 Memorandum of
24 Understanding, and the 2009 agreement and amendment are
25 outdated. A new updated agreement is needed to

1 reflect current policies defined in the revised business
2 plan, the 2012 nine party funding MOU, and the
3 high-speed rail early investment strategy for a blended
4 system in the peninsula corridor.

5 The updated agreement will define a new
6 partnership for planning, environmental review, design,
7 and construction of the blended system. The principles
8 being considered for inclusion in the updated agreement
9 include the following: What the blended system will do
10 including utilization of existing tracks and
11 right-of-way, remaining within the existing JPB
12 right-of-way, and accommodating future high-speed train
13 service.

14 The new agreement will outline the JPB's
15 responsibilities including implementation of early
16 investment projects defined in the nine party MOU, an
17 update of the electrification environmental document,
18 which was originally completed in 2009, and the JPB will
19 also lead and complete the implementation of the
20 advanced signal system expected to be completed by 2015.

21 The Authority's responsibilities outlined in the
22 new agreement will include incorporating early
23 investment projects into the next update of our business
24 plan and will release seven-hundred-and-six million in
25 Prop 1-A funding for the early investment projects. The

1 JPB and the Authority will work together to develop an
2 organizational framework to deliver the early investment
3 progress and continue planning for the blended system.
4 We will also continue the negotiated cost-sharing
5 arrangement to administer and manage the delivery of the
6 investment projects.

7 Our chief counsel, Tom Fellenz, has been working
8 with Caltrain's lead counsel on the agreement to
9 solidify the agreement more. Staff will be seeking
10 input from the corridor including the City County
11 partners, the nine county -- the nine party, rather, MOU
12 signatories, and other stakeholders regarding the update
13 of the MOU. In addition, staff will be soliciting input
14 from the Caltrain modernization program to local policy
15 maker group, whose meeting is scheduled for December
16 20th, as well as from the next city, county stakeholders
17 coordination meeting to be held on December 12th.

18 Once stakeholder input has been received, staff
19 expects to return to the board in February to request
20 approval of the revised MOU. It's important to note
21 that the peninsula and the JPB is receiving a similar
22 informational report at their board meeting this morning
23 and that the JPB is planning to request approval of the
24 MOU in January.

25 That's my update. I'd be happy to take any

1 questions.

2 CHAIRMAN RICHARD: All right. Any
3 questions?

4 Mr. Rossi.

5 MR. ROSSI: As I look at the second page,
6 back page, of whatever you have there, it says the
7 following principles consistent with -- then blah, blah,
8 blah, blah and then it says, the blended system will and
9 the blended system will, JPB will, the California
10 High-Speed Rail will. JPB and California High-Speed
11 Rail will, what does that mean?

12 MR. TRIPOUSIS: I mean --

13 MR. ROSSI: Because the way it reads is, "We
14 will do these things," but what I understand is that
15 we're going to look at these and decide on whether or
16 not to do this.

17 MR. TRIPOUSIS: I may need to defer to
18 Mr. Fellenz on this, but the particular language is
19 being negotiated as part of the ultimate agreement,
20 which will not be forgotten. The expectation is that
21 we're negotiating with the JPB to ensure that these
22 activities are completed. "Will" may be a little strong
23 language at this point but --

24 CHAIRMAN RICHARD: I think it is. Well,
25 yeah.

1 Mr. Morales.

2 MR. MORALES: If I could --

3 MR. ROSSI: Sorry, Tom.

4 MR. FELLEENZ: No problem.

5 MR. MORALES: I think the "will" is
6 reflective of -- the point of this new MOU is to really
7 make sure that the actions we and Caltrain are taking
8 jointly are consistent with the business plan and
9 consistent with the appropriation. The legislature in
10 adopting SB-1029 was very clear about what the program
11 they were funding is. So the MOU and the reason it's
12 phrased -- the discussion points are phrased in it will
13 be reflected in the actual document that comes to the
14 board, is to ensure that the actions we're taking are,
15 in fact, consistent with the funding that you have been
16 provided and the direction that the board is provided.
17 So it really is intended to create a very clear path,
18 and that's why I think the "will" works in there. We do
19 have a very specific project that we are now moving
20 forward with.

21 MR. ROSSI: Right. So that would mean that
22 this document will do all of these things?

23 CHAIRMAN RICHARD: Well, the document, it's
24 the organization.

25 MR. ROSSI: Well, but the document will

1 commit the organization to do these things, and if it
2 does that, then why does it come back for approval?

3 MR. MORALES: I'm sorry. I --

4 MR. ROSSI: Well, given what I was just told
5 is that this is going to -- this is being constructed in
6 a way to comply with the law. If that is the case,
7 what's it coming back here for? I assume it's done.

8 MR. MORALES: Well, no. The reason is there
9 are -- there's an existing Memorandum of Understanding
10 with -- this is replacing the existing MOU.

11 MR. ROSSI: Got it.

12 MR. MORALES: So this is replacing the
13 existing MOU.

14 MR. ROSSI: Thank you

15 MR. MORALES: Because the existing MOU, in
16 effect, is in conflict with the new direction that's
17 being taken. So this will revisit that to supercede.

18 MR. TRIPOUSIS: And then I would only
19 suggest, knowing how we move with alacrity here, that we
20 put the year in here for January or February.

21 CHAIRMAN RICHARD: Okay. So you did bring
22 loan restructures back to the credit community.

23 MR. MORALES: Yes, we did.

24 CHAIRMAN RICHARD: Mr. Hartnett and then Mr.
25 Umberg.

1 MR. HARTNETT: Thank you.

2 Having been involved in the prior two MOUs when I
3 was on the Caltrain board, I can tell you this, a
4 revised MOU would be a very significant departure from
5 the prior ones and I think it's important not only that
6 -- from our perspective that we move forward in
7 compliance with the principles of our business plan and
8 the legal requirements, budgetary authorization, but the
9 MOU also then would bind Caltrain in a manner which they
10 are not currently bound. And so that's -- it's
11 important that we get their signature on an MOU that
12 reflects what it is that's mutually agreed but also
13 which incorporates that which we're otherwise going to
14 be required to do anyway.

15 CHAIRMAN RICHARD: Certainly, new members of
16 the Board of Supervisors of Santa Clara County have
17 different views.

18 MR. HARTNETT: Possibly.

19 CHAIRMAN RICHARD: Mr. Umberg.

20 MR. UMBERG: Just a quick question. So as I
21 understand it, there will be a new MOU negotiated, that
22 MOU will come back to the board for approval or for
23 whatever action the board takes. Then with respect to
24 the \$705 million, the MOU will provide, I assume,
25 certain conditions as to release of that \$705 million.

1 Is there a legal requirement that, irrespective
2 of the agreement, that that release of the \$705 million
3 comes back to the board independent of the MOU?

4 MR. MORALES: I can speak to that.

5 The State funding for the corridor
6 electrification project comes from several different
7 pots of funds. Some of it is from the conductivity
8 money, which goes through the California Transportation
9 Commission, and other is from the bookend funding.
10 There are two different processes set up to release that
11 money. The commitment we, the Authority, would be
12 making is to work on behalf of the State to ensure that
13 those do happen.

14 Even though the Authority doesn't control the
15 release of the conductivity funds, there is a process
16 requiring under SB-1029, some requirements that have to
17 be satisfied before the funds can be released. So that
18 will come back to the board to ensure that those steps
19 -- to adopt a template or a program to ensure that the
20 conditions are established and met to release the money
21 ultimately.

22 MR. UMBERG: Independent of the MOU.

23 MR. MORALES: And the MOU kind of sets up
24 that process.

25 CHAIRMAN RICHARD: That actually leads to my

1 question, but I just want to make sure my colleagues had
2 all had an opportunity first.

3 So just picking up where our CEO just left off,
4 that the funding for the Caltrain modernization is from
5 a combination of the pots, and so with respect to the
6 conductivity money, that has its own approval process
7 through the California Transportation Commission. So we
8 understand that, but an essential element of this are
9 the funds that we committed from Prop 1-A through this
10 MOU, but those funds have to be matched. And the match,
11 one of the things that we appreciate very much, was the
12 MTC in helping to structure this MOU gave us a very
13 specific list of pots of money from their bridge tolls,
14 regional Measure 1, et cetera, et cetera, that they
15 would use to match these dollars.

16 So my question is, because that's outside of MOU
17 because that's really an MTC process, how do we
18 guarantee that dollars that we would release that go to
19 Caltrain modernization under the MOU that come from our
20 Prop 1-A funds are being in lock, step, and match and
21 that that money is actually flowing from the MTC
22 accounts?

23 MR. MORALES: Two things that I see to jump
24 in and knowing the board's affinity entering MOUs,
25 there's another MOU that derives part of that, which is

1 the Memorandum of Understanding that the MTC put
2 together to create that funding structure. This revised
3 MOU will connect with that one. So it will reflect it.
4 So that's one mechanism.

5 The other is, again, we are required under
6 SB-1029 to establish a process to ensure that all
7 conditions are being met in order -- before any funding
8 is released. So there's a second step, which Mr. Umberg
9 was just asking about, that will ensure that this -- the
10 Authority, the board, knows that those funds are being
11 provided as required before anyone signs off on the
12 proceeds for the State measure.

13 CHAIRMAN RICHARD: And the reason I think
14 this is important is because we've got this agreement in
15 northern California, we've got this agreement in
16 southern California. In northern California, we have a
17 very specifically identified project, and we have, in
18 advance, very specifically identified sources for
19 matching funds. In southern California, we're starting
20 a process with people down there where we don't -- we
21 have a list of candidate projects. We don't have
22 specific projects. We don't know whether or not yet
23 they comply with Prop 1-A. We don't know where the
24 matching funds are coming from, and I just want to make
25 sure that we get off on the right foot, in terms of

1 setting a precedence, because we know that there'll be
2 tremendous political pressure on us to release the Prop
3 1-A funds and just start funding some of those projects
4 in southern California, and I think it's really
5 important that -- because we've got what I think is a
6 great structure here in northern California that we use
7 that to establish a set of protocols and precedence so
8 that we have something to fall back on when we get into
9 the inevitable negotiations on this. So --

10 MR. TRIPOUSIS: Mr. Chair, and forgive me,
11 the nine party MOU that I referred to in my comment was
12 the MTC.

13 CHAIRMAN RICHARD: Is the MTC.

14 Mr. TRIPOUSIS: And we absolutely will
15 ensure that they're consistent in working together to
16 deliver exactly what you suggest.

17 CHAIRMAN RICHARD: Okay. Yeah. I'm
18 satisfied. Any other questions?

19 Thank you, Mr. Tripousis.

20 MR. TRIPOUSIS: Thank you.

21 CHAIRMAN RICHARD: Very good. Okay. So
22 it's bad enough that I -- because I told my eye doctor
23 that I did not need progressive lenses -- that I skipped
24 over the agenda item for adopted our minutes from the
25 other meetings, but worse yet was that I had to be

1 called out on that by Mr. Rossi.

2 So we'll go back to Item 1 from the October 2012
3 meeting.

4 MR. ROSSI: So moved.

5 MR. HARTNETT: Second.

6 CHAIRMAN RICHARD: Okay. Moved by
7 Mr. Rossi. Seconded by Mr. Hartnett.

8 Please call the roll.

9 MS. REED: Vice-Chair Richards.

10 MR. RICHARDS: Yes.

11 MS. REED: Mr. Umberg.

12 MR. UMBERG: Yes.

13 MS. REED: Mr. Hartnett.

14 MR. HARTNETT: Yes.

15 MS. REED: Mr. Rossi.

16 MR. ROSSI: Yes.

17 MS. REED: Chairman Richard.

18 CHAIRMAN RICHARD: Yes.

19 Thank you, Mr. Rossi, for catching that.

20 We'll move on to Item 3, which is the proposal to
21 adopt a policy to promote enhanced community benefits
22 during the construction of the high-speed rail system.

23 Mr. Morales, how do you want to proceed?

24 MR. MORALES: Sure. Robert Padilla will
25 present in detail but let me -- just a few comments in

1 starting. I want to make clear, this policy is clearly
2 reflective of direction that this board has made very
3 clear in terms of its intentions. It does not, in and
4 of itself, adopt any sort of program or implement --
5 implemented that it sets the policy direction that we
6 will implement going forward through various means. It
7 sets a very clear direction that while the long-term
8 benefits of adopting high-speed rail programs to the
9 State's economy are clear and understood and supported
10 by the board, the board also wants us to ensure that
11 communities, the communities in particular where the
12 program is going or the project is going, both
13 communities, businesses, and individuals benefit during
14 the construction of the project to the extent possible.

15 It's consistent in many ways with legislation
16 sponsored by Assembly Member Perea and signed by the
17 Governor, by California legislature, which similarly
18 wants to ensure that California benefits as much as
19 possible in the development and purchase of equipment as
20 we go forward.

21 The implementation of this policy, if adopted,
22 would occur through various means, working with
23 stakeholders, working with our contractors, and being
24 creative and flexible working within the constraints of
25 Federal and State law, which we have to be mindful of.

1 There are specific restrictions on what can be done as
2 far as local benefits. So we likely will be mindful of
3 that as we go forward. The policy really, again, just
4 sets the direction for us to implement as we go forward.
5 It's been worked on with a number of stakeholders.

6 Robert.

7 MR. PADILLA: Thank you, Chairman Richard,
8 members of the board. My name is Robert Padilla, small
9 business advocate for the California High-Speed Rail
10 Authority. Our topic on the agenda today, clearly, we
11 want to identify, certainly, something many of your
12 attendees are aware of, the building of the State's
13 highway rail system allows for -- allows us a tremendous
14 opportunity to contribute to the economic viability that
15 we know in the Central Valley, and I think to address
16 some of the devastation of the high unemployment and
17 poverty in the area.

18 We want to draw attention to the American
19 Communities Survey. On the base of the survey in 2011,
20 approximately 15.9 percent of the US population had
21 income below the poverty level. There was a follow-up
22 national report that stated the City of Fresno and the
23 City of Bakersfield ranked in the top five cities in the
24 country with very high poverty levels.

25 Again, the Authority -- we're asking a policy

1 objective that is designed to promote an advanced
2 construction employment and training opportunities for
3 individual and residents within an economic
4 disadvantaged area or an extremely economically
5 disadvantage area in the United States or a
6 disadvantaged worker, which includes -- something very
7 in particular of interest to us, of course, our veterans
8 returning from the military. As I've stated before in
9 other presentations, California receives more than
10 300,000 veterans from military service in many ways.

11 This policy shall serve to enhance small business
12 participation reflective of the adversity of California
13 including disadvantaged business enterprises, disabled
14 business enterprises, and micro business and those
15 certified by the State of California in -- with the
16 Department of General Services.

17 The community benefits policy includes a national
18 targeted workers program initiative. This target is
19 hiring a minimum of 30 percent of all hours of project
20 work shall be performed by a national targeted worker.
21 A minimum of ten percent within that national targeted
22 worker hours shall be performed by a disadvantaged
23 worker. The applicability defines the disadvantaged
24 worker as -- and there's a list of nine criterion.
25 Certainly, those include those that are homeless,

1 custodial legal parent receiving public assistance,
2 lacking a GED or high school diploma, some of those, of
3 course, having a criminal record or other involvement
4 with the criminal system, suffering from chronic
5 unemployment, emancipation from the foster care service,
6 being a veteran, and, of course, being an apprentice of
7 us, graduating apprenticeship hours in a program.

8 The policy of the board, again, is designed to
9 ensure the long-term benefits of the California
10 high-speed rail system. We are invested in our
11 communities in ways that viably build on the strength of
12 our economy and the surrounding communities.

13 The policy and program initiative applies to, in
14 our intent, Construction Package Number One through
15 Construction Package Number Five. These are the
16 construction contracts awarded by the Authority, and for
17 your consideration, I -- also, the, the policies will
18 include compliance with -- excuse me. The Authority
19 shall include compliance with this policy and program
20 initiative, as materially termed, in all of the
21 Authority's materials determined applicable by Authority
22 construction contracts. We think the key to success is
23 partnering with our design builders and the respected
24 contributory unions and nonunions, our resource partners
25 and to ensure the goals and objectives of this policy

1 are met.

2 Therefore, staff recommended action for the
3 board's consideration today is number one, adopt a
4 community policy -- excuse me -- the community benefits
5 policy, authorizing the Chief Executive Officer to sign
6 the DBE Resolution HSRA 12-30 and to proceed with
7 development and implementing a community benefits
8 agreement.

9 Again, for your consideration, I will now read
10 that policy --

11 CHAIRMAN RICHARD: Mr. Padilla, I think we
12 have it in our board packages, and I believe that every
13 one of the members has read this. So I think we can
14 forgo that step. Did you have anything else that you
15 wanted to add in making your recommendation to us?

16 MR. PADILLA: The second would be the
17 resolution approval of the community benefit policy.

18 CHAIRMAN RICHARD: And we have that before
19 us as well.

20 MR. PADILLA: Excellent.

21 CHAIRMAN RICHARD: Okay. Thank you,
22 Mr. Padilla.

23 Questions from members?

24 Mr. Hartnett.

25 MR. HARTNETT: What will be the process of

1 monitoring the success of this?

2 MR. MORALES: A primary means, if not the
3 primary means, of implementing this will ultimately be
4 through the contracts in starting with the large
5 design-build contracts. Contractors will understand
6 what the requirements are of them. Their proposals --
7 one of the evaluation elements, their proposals will be
8 their plan for complying with this program. So it will
9 actually be built into the selection of the contractor
10 team and then there will be requirements for regular --
11 and typically, it would be quarterly reporting of their
12 numbers and their achievements against the goals that
13 they have set in their program. So we will have a
14 quarterly basis supporting the contractors on their
15 success in meeting the goals.

16 MR. HARTNETT: But to me, it's important
17 that there be a mechanism either through a subcommittee
18 or the board itself being apprised of this and being
19 able to have input if we are at least --

20 CHAIRMAN RICHARD: I agree with that, and
21 actually, as you were writing that, I was trying to pen
22 a proposed amendment to the resolution that would
23 accomplish that but --

24 MR. ROSSI: I would suggest, you don't need
25 to amend the resolution, because all of that will be

1 reported as required to the board, and we will review
2 it.

3 CHAIRMAN RICHARD: Okay. Well, I just
4 wanted -- I mean, I was basically going to have them put
5 something like --

6 MR. ROSSI: I'm just saying it already
7 exists.

8 CHAIRMAN RICHARD: Yeah.

9 MR. MORALES: I meant to add also --

10 CHAIRMAN RICHARD: You did agree that it
11 already exists and you're going to be reporting on it?

12 MR. MORALES: Yes, I did, certainly.

13 CHAIRMAN RICHARD: Okay. I thought you
14 might start on that.

15 MR. MORALES: Thank you.

16 As I said, there are -- the requirements will be
17 detailed in the contracts. There will also be penalties
18 for noncompliance in the contract based on the
19 reporting.

20 CHAIRMAN RICHARD: Vice-Chair Richards.

21 MR. RICHARDS: I think that the comments
22 clearly underlie the importance that we place on this
23 policy and its implementation in reporting, and so I
24 appreciate my colleagues, and I support them.

25 I would also congratulate the staff and applaud

1 them along with the people sitting out here today
2 including the leadership from Fresno, County Supervisor
3 Perea, and from the City of Fresno, which I think both
4 deserve acknowledgment. The fact being that we're
5 starting this project in the Central Valley in an area
6 where we've got the highest unemployment -- chronic
7 unemployment -- in the State of the California. And
8 this policy will not only benefit the Central Valley but
9 will benefit the State of California, and I think it
10 clearly speaks to the intent of the major portion of our
11 funding with the American Recovery and Investment Act.

12 So I thank you all. I strongly urge that we
13 monitor this very carefully, report it to audit and
14 finance, and, as we all know, Director Rossi will be
15 reporting back to us regularly.

16 CHAIRMAN RICHARD: Any other questions on
17 this? Then I'd just like to make the following
18 comments.

19 First, I appreciate my colleague's recognition of
20 the work of our staff and also the community leaders who
21 brought this about. This was actually not an easy thing
22 to do because the policy needs to conform to limitations
23 under federal law, and it appears that that's been
24 accomplished with great success. That took some work,
25 so congratulations to everybody who worked on that.

1 The second thing is that I appreciate my
2 colleagues raising the issue of monitoring these because
3 all of us distinctively think that this is very
4 important. My former colleague on the BART board,
5 Michael Vernick, who also served as the head of the
6 Department of Employment Development, made the point to
7 me that it's very difficult at the end of the day to
8 really estimate what the impact is in advance. People
9 make guesses but most of those projections are verily --
10 are subject to wide variability. But he emphasized that
11 it's very, very important that we gather data on the
12 success and efficacy on this project as we go forward.
13 So I certainly want to reinforce that.

14 And finally, I'd just like to make one other
15 comment. I'm always careful about responding to
16 comments that were made during public session, because I
17 never, in any way, want to show or discourage people
18 from expressing their views to the board, but we had
19 three people this morning, Mr. Christen, Ms. Goehring,
20 and Mr. Markuson, raise the issue of Project Labor
21 Agreements, and I just want to make it clear on the
22 record that while no decisions have been made in terms
23 of how it's going to be structured, yesterday, at the
24 meeting that I attended of the minority contracting
25 community, there was very, very strong sentiment that

1 Project Labor Agreement is the mechanism by which they
2 become assured that they are able to participate through
3 these major contracts that we're about to let. So
4 sometimes, we have to balance among completing policy
5 imperatives.

6 My experience with Project Labor Agreements is
7 that they can increase the efficiency of project
8 delivery and reduce the number of conflicts that occur
9 on projects and that they can be very, very positive and
10 that this other aspect that they provide the avenue for
11 participation by the minority contracting community is
12 also important.

13 So I understand the comments that were made with
14 respect to views of justice and fairness. This board,
15 when this policy is ultimately developed through our
16 staff, needs to balance all these pieces. So I wanted
17 to make sure that -- that that was expressed as well.

18 So with that, we have before us the
19 recommendation to move forward with this community
20 benefits policy and the associated resolution.

21 MR. HARTNETT: I move the policy and the
22 resolution.

23 CHAIRMAN RICHARD: All right. It's moved --
24 actually, if it's all right, I'd like the minutes to
25 show it was moved by Vice-Chair Richards and seconded by

1 Mr. Hartnett in recognition of the leadership of a
2 member of our board if you're amenable, Mr. Hartnett.

3 MR. HARTNETT: That's what I thought the
4 record reflected.

5 CHAIRMAN RICHARD: All right. Moved by
6 Vice-Chair Richards, seconded by Director Hartnett.

7 Please call the roll.

8 MS. REED: Vice-Chair Richards.

9 MR. RICHARDS: Yes.

10 MS. REED: Mr. Umberg.

11 MR. UMBERG: Aye.

12 MS. REED: Mr. Hartnett.

13 MR. HARTNETT: Yes.

14 MS. REED: Mr. Rossi.

15 MR. ROSSI: Yes.

16 MS. REED: Chairman Richard.

17 CHAIRMAN RICHARD: Yes.

18 Thank you, Mr. Padilla; thank you, Mr. Morales,
19 Mr. Fellenz, and all of the people who worked on this,
20 thank you. This is a nice step for this board.

21 Okay with that, we have no -- double-check and
22 make sure we have no other agenda items.

23 Mr. Morales, is there any other issue you wish to
24 raise before we go into closed session?

25 MR. MORALES: I guess just the last thing,

1 I'd like to make an introduction to the board. We have
2 some -- as you know, we continue to -- under the
3 direction of the board, at the mandate of the board --
4 grow the competency of our staff and bring on additional
5 people, but two, I think are here. I don't know. I
6 don't want to miss anyone, but two people I'd like to
7 just introduce first, Jenny Baldini, who has joined us
8 and then secondly, our chief program manager, Frank
9 Vodka, who has just joined us from a contract where he
10 was the chief engineer. I think he joining us really
11 underscores the significance of our program and what it
12 means to the state really. This was his first
13 appearance.

14 CHAIRMAN RICHARD: Well, let me just say
15 very quickly that first of all, welcome, to these new
16 members of the high-speed rail executive team, and I
17 think I speak for my colleagues in expressing
18 appreciation to you, Jeff, for the way you have moved
19 with great alacrity to fill out the management ranks of
20 this organization. It was very, very important to our
21 credibility to move into the construction phase that we
22 have an organization that can -- actually is capable of
23 delivering this project, and certainly looking at the
24 resumes of the people that you have attracted to come
25 here, I just want to recognize excellent leadership on

1 your part in putting together a very strong team.

2 MR. MORALES: Thank you, Mr. Chairman. I'd
3 say they're attracted by, I think in this case, the
4 challenge of the project and the significance of it.

5 MR. UMBERG: We'll provide that.

6 CHAIRMAN RICHARD: We're nothing if not
7 challenging.

8 All right. With that, the board will now enter
9 into closed session pertaining to litigation, and then
10 we'll report back at the end of that.

11

12 (Whereupon the board entered into closed session at
13 11:20 a.m.)

14

15 CHAIRMAN RICHARD: The meeting will be back
16 in order. At the conclusion of the closed session,
17 there is nothing to report. The meeting of the
18 High-Speed Rail Authority is now adjourned.

19

20 (Whereupon the proceeding concluded at 12:10 p.m.)

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25

1 I, Brittany Flores, a Certified Shorthand Reporter of
2 the State of California, duly authorized to administer
3 oaths, do hereby certify:

4 That the foregoing proceedings were taken before me
5 at the time and place herein set forth; that any
6 witnesses in the foregoing proceedings, prior to
7 testifying, were duly sworn; that a record of the
8 proceedings was made by me using machine shorthand which
9 was thereafter transcribed under my direction; that the
10 foregoing transcript is a true record of the testimony
11 given.

12 Further, that if the foregoing pertains to the
13 original transcript of a deposition in a Federal Case,
14 before completion of the proceedings, review of the
15 transcript () was () was not requested.

16 I further certify I am neither financially interested
17 in the action nor a relative or employee of any attorney
18 of party to this action.

19 IN WITNESS WHEREOF, I have this date subscribed my
20 name.

21
22 Dated:

23
24 _____

25 Brittany Flores CSR 13460